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PROSPECTS FOR NORTH AND SOUTH VIETNAM

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

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Reviewed by the
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PROSPECTS FOR NORTH AND SOUTH VIETNAM

THE PROBLEM

To assess the situations in North and South Vietnam, to analyze the nature and scope of the Communist threat to South Vietnam, and to estimate the prospects for the next year or so.

CONCLUSIONS

1. The Democratic Republic of Vietnam (DRV) has thoroughly consolidated its political control in North Vietnam and, with extensive Bloc assistance, will probably continue to make rapid economic progress. Regimentation and food shortages have increased public unrest and dissatisfaction and resulted in some slackening of discipline among local officials. However, there is no significant organized opposition. The moderating influence of the aged Ho Chi Minh has prevented policy differences among top DRV leaders from erupting into serious intraparty strife. When Ho is no longer active there will probably be a struggle for power between the Moscow-oriented and the Peking-oriented elements of the party. (Paras. 13, 15, 21, 23-25)

2. There is some dissatisfaction in South Vietnam with Diem's leadership among members of the cabinet, the bureaucracy, and the military, arising out of the serious internal security situation and irritation with Diem's system of family rule. Diem

has initiated a number of political reform measures, but probably will not relinquish his highly centralized method of government control. The degree of dissatisfaction will probably be directly related to the success or failure of the Government of Vietnam (GVN) efforts against Communist guerrilla and subversive activity. (Paras. 31, 34, 39)

3. The army will continue to be a major factor in future political developments in South Vietnam. We believe that the chances of a military coup have been reduced by recent manifestations of US support of the Diem government and by the substantial increase in US aid to help South Vietnam meet its internal security problems. Although there has been a decrease in indications of coup-plotting within the military in recent months, certain basic dissatisfactions with the national leadership persist. If the fight against the Viet Cong goes poorly during the next year or the South Vietnamese Army suffers heavy casualties, the

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chances of a military coup would substantially increase. (Para. 37)

4. A major Hanoi-directed Communist offensive against the Diem government and directed toward reunification of Vietnam under Communist control is under way. The Communist apparatus in South Vietnam, the Viet Cong, now probably has more than 12,000 hard-core members and several thousand supporters engaged in guerrilla warfare, terrorist operations, political and propaganda activity, sabotage and intelligence activities. This campaign is intended to assert Communist authority over increasingly large parts of the countryside in anticipation of setting up fully "liberated areas" in which GVN authority is effectively denied, or of so weakening the Diem government as to precipitate its overthrow, or both. At present, more than half of the rural area in the productive and highly populated region south and southwest of Saigon, as well as several areas to the northwest of Saigon, are under extensive control of the Communists. (Paras. 50-51)

5. We believe that the Hanoi regime will increase the pace and scope of its paramilitary activity during the next few months. South Vietnam's urban centers will probably be subjected to increasing Viet Cong terrorism. Further Viet Cong attempts to assassinate Diem are likely. However, we believe that with continued high levels of US aid and a strenuous and effective GVN effort, the problem of Viet

Cong control of large areas of the countryside can in time be reduced. (Paras. 58-60)

6. Even if the GVN does reduce Viet Cong strength, it will require continued maximum effort—military, political, and economic—to maintain its authority. South Vietnam will not be able to seal completely its borders with North Vietnam, Laos, and Cambodia to the infiltration of material and personnel from North Vietnam. (Paras. 60-61)

7. Thus, the outlook in South Vietnam is for a prolonged and difficult struggle with the Viet Cong insurgents. At the same time that the government is prosecuting the military campaign in the war against the Communists, it will have to act to prevent internal weaknesses and strains from causing its collapse. Pathet Lao and North Vietnamese forces already control most of southern Laos except for towns along the Mekong, and if a Communist or leftist government comes to power in Laos the GVN struggle against the Viet Cong will take on new, more perilous dimensions. If there is a serious disruption of GVN leadership as a result of Diem's death or as the result of a military coup any momentum GVN's counterinsurgency efforts had achieved will be halted or reversed, at least for a time. The confusion and suspicion attending a coup effort could provide the Communist an opportunity to seize control of the government. (Paras. 61-62)

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DISCUSSION

INTRODUCTION

After the partition of Vietnam in 1954, the DRV with Bloc aid, set about consolidating its control in the north, reconstructing a badly damaged economy, and organizing society along Communist lines. At the same time, the regime took measures to achieve its ultimate objective, the unification of the country under a Communist government. During this early period, a cover Communist subversive and guerrilla apparatus, known as the Viet Cong, remained in the south after the regroupment of Communist forces called for by the Geneva Accords. It resorted only occasionally to guerrilla or terrorist action, and concentrated primarily upon political activities designed in part to influence the national elections provided for by the Geneva Accords. The Communist leaders in Hanoi probably viewed the future with confidence, contrasting the chaos prevailing in the south with their own tight control in the north.

However, by early 1957 it had become clear to the Communist leaders that the Diem government, with US assistance, was making considerable progress toward consolidating its position and disrupting the Viet Cong clandestine organization. Moreover, the Communists had concluded that Diem would never permit elections under conditions which would assure a Communist majority. As a result, the Hanoi authorities began to reorganize and revitalize the Viet Cong apparatus and to shift Communist tactics in South Vietnam toward increased terrorism, subversion, and small-scale guerrilla attacks in the countryside. By late 1959 a general Hanoi-directed Communist offensive was well under way. Since that time the Viet Cong guerrilla-terrorist apparatus has more than tripled in size to over 12,000, and the area, scope, and effectiveness of its activities have been greatly expanded.

The GVN, under the determined leadership of President Diem, has been confronted

by serious economic, political, and security problems since the end of the Indochina War. Although it has made remarkable progress in some respects, it has not been able to bring the Viet Cong under control, or thus far reverse the recent deterioration of internal security. This has caused a gradual erosion of public support, frustrated many of the government's economic and social programs, and created a serious political problem of dissatisfied military officers and civil servants.

Communist paramilitary and subversive efforts against Laos and South Vietnam are probably closely related. In both countries there were indications in 1958 and 1959 that the governments were becoming bolder and more effective in their anti-Communist efforts and that Communist assets were beginning to be cut back. The shift in Communist tactics to emphasis upon paramilitary activity became noticeable in both Laos and South Vietnam at about the same time. The Communists probably now view Laos and South Vietnam as two parts of a single broad political-military strategy. The Pathet Lao and the Viet Cong are both instruments of the Lao Dong, the North Vietnamese Communist Party. Hanoi is the implementing agency for Bloc activity in both countries, and it probably is allowed considerable local freedom in conducting the Communist guerrilla and subversive campaign.

II. THE SITUATION AND OUTLOOK IN NORTH VIETNAM

A. Introduction

The North Vietnamese leaders are long-term Communist revolutionaries closely united by their prolonged armed struggle against the French. By the time they took over North Vietnam in 1954 they had acquired extensive practical experience in organization, control techniques, and guerrilla warfare. They had at their command a large, loyal, and victorious army. They had

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considerable support among the peasants and intellectuals. Their leader, Ho Chi Minh, was widely known and respected throughout Vietnam as a nationalist leader.

13. However, the regime lost much of its nationalist appeal as it quickly and ruthlessly set about consolidating its control and reducing centers of potential fissidence, particularly among the Catholic and tribal minorities. These measures, along with the continuing privations and hardships of the people, resulted in a waning of public enthusiasm and a rising unrest and dissatisfaction among the people. There has been some slackening of vigilance and discipline among the security forces and local officials, and there have probably been some local peasant uprisings in the wake of last year's disastrous crop failures. However, in the past two years the regime has accelerated its efforts to strengthen the party apparatus, particularly at lower and middle levels, and its instruments of control—the party, the army, and the police—remain firmly established and responsive to its command. The prevailing public attitude is one of apathy and passivity, and there is no significant organized opposition movement.

B. Political Situation and Outlook

14. The DRV's leadership has been remarkably stable; the elite group, like that of Communist China, gained its status and cohesion in years of civil warfare. Ho Chi Minh's international reputation, his unique standing with the Vietnamese people and the rank and file of the Lao Dong, and his ability to moderate intraparty disputes from a position above factionalism continue to make him the most important man in the DRV. Ho is Chairman of the Lao Dong and President of the DRV. It is not certain, however, just how actively he wields his power. He is 71 years old and there are several strong younger men in top operative posts in the party, government, and army.

15. During the past two years the regime has substantially reorganized its governing apparatus. It has had new elections for the National Assembly, the first since 1946; new

leaders have been selected at all middle and lower echelons of the party; and the government structure has been further centralized. The National Party Congress held in September 1960, the first in nine years, adopted a new party constitution. The governmental machinery, still under tight party control, is now probably better prepared to cope with its administrative problems.

16. During this period the party leadership has been confronted by serious domestic economic and political problems and by the questions of Bloc tactics and leadership at issue in the Sino-Soviet dispute. The Party Congress resulted in a reorganization of the party and in some shifts in individual ranking and power among the Lao Dong leaders. These developments almost certainly brought to the surface tensions and policy differences among the "moderate" and "radical" elements within the top party leadership. Thus far, however, these differences have been kept under control, probably as the result of Ho's abilities to moderate party disagreements and the general appreciation among the Lao Dong leaders of a special need for party unity under present circumstances.

17. Differing tendencies within the Lao Dong leadership are represented by Le Duan and Truong Chinh. Over the past two years or so Le Duan and his "moderate" followers have been in the ascendancy and Ho probably considers him to be the heir apparent. Le Duan holds the key position of First Secretary of the Lao Dong and controls an effective following within the party. He led the southern guerrilla forces for several years prior to the establishment of the DRV, and almost certainly is playing a major role in planning the current Viet Cong effort to overthrow President Diem and his government in South Vietnam. General Vo Nguyen Giap, Minister of Defense and Commander in Chief of the Armed Forces, tends to side with the "moderate" group. The Premier, 55-year-old, Moscow-trained Pham Van Dong, is very close to Ho and is somewhat of a fence straddler, but he is sympathetic to the policies of Le Duan.

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18. Leader of the "radical" group is Chinese-trained Truong Chinh, who had served as Secretary General of the party for 15 years until he was relieved by Ho in 1956. Truong Chinh's fall from grace was probably the result of his close identification with the regime's rapid and ruthless agrarian reform program which created many economic problems and cost the regime much of its early enthusiastic support from the peasantry. However, the Lao Dong probably still considers Truong Chinh as a leading ideologist, and he retains considerable strength among his politburo colleagues and within the party. He continues to rank third in the Lao Dong politburo.

19. So long as Ho Chi Minh remains active, he will probably continue to moderate intra-party disputes and prevent serious strife. When he is gone it will be much more difficult to keep factional rivalries and disputes under control. At present, Le Duan is probably strong enough to gain control of the party and thus of the regime. However, serious setbacks in South Vietnam or increased pressure from Peiping could swing party strength behind Truong Chinh's more radical group. In any case the governmental succession would probably appear superficially orderly with innocuous, elderly Vice President Ton Duc Thang succeeding to the Presidency until the real struggle for power within the party had been decided.

20. *Sino-Soviet Relations.* North Vietnam occupies an intermediate position in the Sino-Soviet dispute. The Vietnamese have a historic dislike and distrust of the Chinese to whom they paid tribute for many centuries and they deeply fear Chinese domination. On the other hand, the state of their culture and society and the nature of their political and economic problems are closely akin to those of Communist China, and the DRV's revised constitution, land reform, tax-

ation, and agricultural programs are clearly based on Chinese experience. In addition, the proximity of China makes Peiping's economic and military influence strongly felt.

21. Ho himself is Moscow-trained and he almost certainly appreciates that only a strong relationship with Moscow can prevent the DRV from becoming completely subordinate to Peiping. He has kept the DRV and the Lao Dong in a generally neutral position in the Sino-Soviet dispute and is credited by some observers with having played a key role at the November 1960 Moscow Conference in bringing the Soviets and Chinese sufficiently together to produce the compromise Communiqué. The North Vietnamese leaders, particularly Ho, will probably continue to maintain a middle position in Sino-Soviet differences, while pressing for militant Bloc support of "wars of national liberation" such as Hanoi is waging in South Vietnam.

C. Economic Situation

22. *Introduction.* North Vietnam's economy is one of the most backward of all the Communist countries. Agriculture is the chief occupation, and about 90 percent of the population lives in rural areas. North Vietnam has considerable development potential, however, since it possesses rich mineral, forest, and fishery resources. Moreover, although nearly all of the good arable land is now under production, per acre yields are low and can be greatly raised.

23. The Communist Bloc has invested heavily in economic aid to North Vietnam, first to stabilize its war-torn economy and then to help its economy develop. Total Bloc economic aid committed so far amounts to

The principal source for economic data on North Vietnam is the DRV. The relatively small amount of information from other sources tends in most cases to support the official DRV claims.

Inferred mineral reserves include high-grade anthracite coal, 20 billion tons (comparable in magnitude to the reserves of Japan or Czechoslovakia); iron ore, 150 million tons; phosphate rock, 1 billion tons; and chromite, 5 million tons. Un-tapped hydroelectric potential is estimated at 11 million kw.

At this time Ho assumed the title of Secretary-General in addition to his post as Chairman of the party. In 1960 the post of Secretary General was abolished, making Le Duan as First Secretary rank directly behind the Chairman.

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about \$900 million, of which about \$400 million had been utilized by the end of 1960. With this assistance and its own concentration of resources and effort, North Vietnam has made rapid economic progress, raising its gross national product (GNP) by 13 percent annually from 1953 to 1960. North Vietnam's gross domestic investment as a proportion of total resources rose from 8 percent in 1955 to 22 percent in 1960 indicating that the economic base is being strengthened for continued rapid growth.

24 Agriculture. The DRV has been having serious difficulties in agriculture as a result of adverse weather, mismanagement, and rapid, forced collectivization. The regime claims that the value of agricultural output increased 21 percent from 1956 to 1960, despite the 1960 drought, and that North Vietnam has become a net exporter of food. Most of the increase in agricultural production, however, was in livestock, particularly draft animals. Rice production increased at a slower rate than the population, and production of subsidiary foods actually declined. Since 1956 per capita consumption of food has generally been below prewar levels, and in 1960 the per capita production of food was less than in 1956. The fact that the DRV was a net exporter of food in 1960 was made possible only by the regime's firm control of distribution and consumption. The people generally are on a subsistence diet and in some areas shortages are critical. Inevitably this has created widespread discontent with the regime.

25. The prospects for alleviating these shortages are only fair. Assuming average weather, the DRV might be able to increase food production at about 3 percent annually for some years to come. At this rate, food output by 1965 would reach about two-thirds of the 9 million ton goal for that year and barely remain ahead of the 2.5 percent rate of population increase. The acceleration of rural collectivization, which took place in the latter half of 1960, may generate sufficient additional peasant resistance to place even this achievement in doubt.

26 Industry. Because of the DRV's rudimentary economy, the Three-Year Plan (1958-1960) devoted nearly 70 percent of total industrial investment to light industry. Light manufacturing accounted for two-thirds and mining and heavy manufacturing for one-third of all industrial output by value in 1960. Over the next five years light industry will continue to grow rapidly although proportionally greater stress will be laid on heavy industry and mining.

27. Mining accounts for 15 percent by value of DRV industrial output and nearly one-quarter of its industrial exports. Despite a four-fold increase in output since 1955, coal production in 1960 was barely up to the prewar (1930) high of 2.6 million tons. Over the next five years coal production will continue to rise, but there will almost certainly be more diversification as other North Vietnam mineral resources are exploited. Communist China will probably become an important customer for the rich supplies of phosphate rock.

28. The current Five-Year Plan shifts priority to heavy industry, particularly electric power, machine building, steel, and chemicals. The machine industry will be oriented toward support of agriculture and the chemical industry will emphasize fertilizer production. The plan calls for the production of 500,000 tons of pig iron a year (60 percent going into steel).^a The regime's failure to meet original Three-Year Plan goals for several important items (including coal, cement, electric power, and cotton cloth) suggests that the present Five-Year Plan goals should be appraised with caution.

29 Transportation. In spite of the emphasis given since 1954 to the rehabilitation of transportation, the rail net is not quite back to its prewar size in terms of mileage; however, overall tonnage has increased. Emphasis is also being placed on restoration

Construction of the DRV's first iron and steel plant (equipment and technology being supplied by Communist China) was scheduled for completion in 1960 with an initial annual capacity of 100,000 tons, but it is far behind schedule.

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of the road net to its prewar status. Rehabilitation of water transport has lagged. There has been considerable development of strategic roads toward the border of Laos and the 17th Parallel. Long-discussed plans to widen the DRV's rail network from meter gauge to the 4 foot 8 1/2 inch standard gauge that is used on Communist China main lines may be carried out by 1965. The Hanoi-Dong Dang and the Hanoi-Lao Kay railway lines are operated as virtually integral parts of the Chinese Communist railway system. A large part of the freight moving on these lines is Chinese Communist freight in transit across North Vietnam between Nanning and Kunming.

III. SITUATION AND PROSPECTS IN SOUTH VIETNAM

A. Political

30 *Situation and Problems.* Despite its many remarkable achievements, South Vietnam's national leadership never has generated much active public support. During the past year and a half, President Diem and his government have been more seriously criticized and challenged, particularly by members of the bureaucracy and the military establishment, than at any time since he consolidated his authority in 1955-1956. The criticism and dissatisfaction stem principally from serious concern with the internal security situation and from Diem's system of family rule. Despite his continuing personal prestige and reputation for integrity and courage, Diem remains an aloof and uninspiring figure to the Vietnamese. Communist propaganda intensifies public dissatisfaction with the Diem government, particularly among the peasants and urban laboring groups.

31 Within the framework of a democratic constitution, Diem and a small circle of relatives and confidants exercise supreme national power. Most members of the executive branch are personal agents of Diem, fearful of assuming responsibility or of tak-

ing initiative. The legislative powers of the National Assembly are strictly circumscribed. The press and radio are largely controlled by the government, and opposition groups and critics of the government have little opportunity to make their views widely known. This highly centralized regime has provided resolute and stable leadership, but it has alienated many politically conscious South Vietnamese and inhibited the growth of strong governmental and political institutions which could provide stability and direction if Diem were to leave the scene.

32 A number of officials including Vice President Nguyen Ngoc Tho, and some important members of the cabinet, the bureaucracy, and the military have questioned seriously Diem's ability to lead the government and rally the people against the Communists during what they regard as the most critical period since the end of the Indochina War. These officials also criticize Diem's failure to delegate responsibility and his reliance largely on members of his family, particularly his brother Ngo Dinh Nhu, for advice in the conduct of government affairs. Moreover, the fact that the Can Lao, a semicovert political apparatus, has been used by Diem and his brothers, Nhu and Ngo Dinh Can, not only to insure the implementation of policy but also to police the attitudes and loyalty of the governmental apparatus has created considerable antagonism within the military hierarchy and the civil service.

33 The Diem regime was given a reprieve by the national elections of April 1961, in which Diem and Vice President Tho received nearly 90 percent of the total vote. Voter turnout was high, despite Communist efforts to intimidate the voters. However, the election cannot be considered an accurate manifestation of support for Diem or his regime. Diem and Tho enjoyed overwhelming advantages in the campaign, there almost certainly was some meddling with the returns, and the opposition candidates were political nonentities.

34 Since the April elections, Diem has indicated an intent to rectify some of the causes of dissatisfaction. He has reorganized his

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cabinet in an effort to improve effectiveness and coordination. He has instructed his ministers to spend more time in the countryside, seeing that programs are followed through and seeking to win over the population. He has begun a consolidation of his intelligence services and has made a number of moves designed to provide the military greater freedom of action. He has experimented with relaxing control of the press and opposition groups. However, most of these moves have been initiated only because of urging from the US. Diem almost certainly has not changed his view that his kind of paternalistic authoritarianism is best for South Vietnam, particularly while the country is at war.

35. Diem has little respect for his domestic political opponents, whom he tends to view as dupes, Communists, or agents of the French. The opposition is in fact, largely a disparate assortment of disgruntled intellectuals, businessmen, and unsuccessful politicians, who have for one reason or another fallen out with the government. None of them has a national following of consequence, and few have any constructive ideas to offer. Although they are a source of annoyance to Diem and at times a disruptive factor in Saigon, they are not by themselves a significant present threat to the government.

36. The continued existence of restiveness and dissatisfaction among military officers and other government officials is much more serious. Diem has long recognized that the greatest threat to his government—aside from the Viet Cong—lies in the possibility of a military coup. The abortive coup effort by paratroop units in November 1960, which came very near succeeding, increased Diem's suspicions of the military. As yet no new coup group appears to have taken shape.

37. *Political Prospects* The army will continue to be a major factor in future political developments in South Vietnam. We believe that the chances of a military coup have been reduced by recent manifestations of US support of the Diem government and by the sub-

stantial increase in US aid to help South Vietnam meet its internal security problems. Although there has been a decrease in indications of coup-plotting within the military in recent months, certain basic dissatisfactions with the national leadership persist. If the fight against the Viet Cong goes poorly during the next year or the South Vietnamese Army suffers heavy casualties, the chances of a military coup would substantially increase.

38. There is always a chance that Diem may be assassinated or leave the scene as the result of accidental or natural causes. Such a development would provide an opportunity and strong motivation for a group of military officers to seize control. On the other hand, the Viet Cong would be very likely to increase greatly their efforts to take over in such an emergency situation and this might cause the military to close ranks in support of constitutional processes, at least through the transition period. In such event, Vice President Tho would succeed to the Presidency, and Nguyen Dinh Thuan, the Secretary of State for the Presidency and Assistant Secretary of State for National Defense, would probably continue to play a key supporting role. However, the Ngo family, probably led by Nhu and Can, would probably attempt to retain real political power and a contest for power might ensue.

39. In more general terms, the chief problem confronting the GVN is how to resolve the conflicting needs of highly centralized government control for effective antiguerrilla measures on the one hand and of liberalized, more democratic political attitudes for greater public support of the government on the other. It is unlikely that Diem will undertake real political reforms in an effort to meet the complaints of the non-Communist opposition groups in Saigon, the peasants, and the military and civilian officials. In any case, Diem probably could not make enough politi-

NIE 50 61, "Outlook in Mainland Southeast Asia" dated 25 March 1961, paragraph 37, stated that in view of Diem's precarious political situation and the strength of Communist guerrilla and subversive pressures, we believe that the odds favor a second coup attempt sometime in the next year or so.

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cal changes to satisfy the demands for reform by the opposition groups among the urban intellectuals. The degree of dissatisfaction among the peasants and the military and civilian officials is related directly to the success or failure of GVN efforts against Viet Cong guerrilla and subversive activity. Improvements in the internal security situation would do more, at least in the short run, toward reducing discontent among the peasants, the military, and the civil servants than political reforms at the national level.

B. Economic

40 *Economic Situation* The economy of South Vietnam was severely weakened by the years of recurrent warfare after 1940 and its subsequent separation from the north. Sources of supply and markets were disrupted. In the countryside, vital water control works were damaged or neglected and large areas of rice land were abandoned as peasants moved to urban areas in search of security. The influx of almost a million refugees from North Vietnam in 1954 and 1955 further burdened the economy.

41 Backed by substantial US support, the GVN has been able to achieve appreciable economic progress. Besides building up a modern military force and relocating the refugees, South Vietnam has repaired and extended its badly damaged transportation network, initiated an extensive land reform program, restored its agricultural production, and established the foundation for industrial growth.

42. By 1959, the GVN was beginning to move ahead on expanding economic development. However, the sudden, marked rise in guerrilla warfare widely affected GVN economic plans and, since late 1960, there has been a noticeable slackening in the momentum of economic progress. Communist interference with the flow of rice from the countryside to the urban centers has caused a decrease in the amount available for export and contributed to a rise in price. Saigon merchants have encountered increasing difficulty in delivering their merchandise to the villages. Domestic

commerce in general has declined in part because of the uncertainties of the political situation. Communist sabotage of roads and bridges and control of certain areas have set back government reconstruction and agrarian reform programs. Although there has been an increase in the production of rubber, the leading source of foreign exchange, rubber plantations are under constant harassment by Communist terrorists.

43 Despite South Vietnam's economic recovery, the country continues to be highly dependent upon the US. From 1955 through 1960, US economic aid to the GVN came to about \$1.4 billion; most of this has been for defense support. Exports from the GVN (chiefly rubber and rice) pay for only about a quarter of the consumer and other goods that are imported. The remainder of the imports are largely financed by the US commercial import program under which plasters are made available to the GVN through the local sale of imported goods initially purchased with US aid dollars. France has been South Vietnam's principal buyer and supplier. The US is second in both buying from and selling to South Vietnam. Japan is becoming increasingly important as a supplier.

44 *Economic Prospects* Continued improvement in the GVN's economic position over the next few years will depend largely on the course of the war against the Viet Cong insurgents. Moreover, if the GVN is to maintain larger military and security forces, its dependence on US aid will increase. The security situation also will continue to affect adversely the willingness of the GVN to undertake fiscal reforms, urged by the US, aimed at increasing tax revenues.

45 Agrarian reform and land distribution programs, together with highway and canal reconstruction, will continue to suffer as long as the GVN control of much of the countryside, particularly in the Mekong delta area, remains as tenuous as it is at present. The effect of prolonged, unrelieved insecurity in the countryside would be a decline of agricultural output, a further decline in domestic commerce, and a lowering of business confidence in South Vietnam. The cumulative

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effect of all these developments could be inflation, particularly if the OVN were to undertake large-scale deficit financing of its budget.

46. South Vietnam's substantial trade gap can be decreased in the short run only by further rises in the availability of rubber and rice for export. Over the longer run, however, South Vietnam will have to rely increasingly on developing new export possibilities through agricultural diversification and on increasing its production of many light consumer goods that are imported at present. In any event, South Vietnam will continue for the foreseeable future to require extensive US aid to finance its large balance of payments deficit.

IV. THE COMMUNIST THREAT TO SOUTH VIETNAM

47. The Communist threat to South Vietnam consists of three interrelated elements: the external military threat posed by the North Vietnamese Army; an expanding program of guerrilla warfare and terrorism throughout South Vietnam; and an intense political, psychological effort designed to demoralize the South Vietnamese public and the military and security forces, and to discredit Diem's government.

A. The Military Threat

48. The North Vietnamese Army is almost twice the size of the South Vietnamese Army. The threat posed by the large northern forces has put constant psychological pressure on the OVN. South Vietnam has been obliged to maintain a substantial part of its forces along the 17th Parallel and more recently the Laotian border, despite the need to combat the growing Communist guerrilla strength in the south.

49. However, the immediate threat to South Vietnam is not from an overt invasion. Instead, the current North Vietnam campaign to bring South Vietnam under Communist control is based upon a combination of

guerrilla warfare and subversive activity of a "national liberation" character in both South Vietnam and adjacent Laos. It is probably the Communist view that such tactics greatly reduce the risk to North Vietnam of US military intervention and, at the same time, provide good prospects of success at relatively little cost.

B. The Guerrilla Threat

50. Communist assets for guerrilla and terrorist action against South Vietnam are formidable. In spite of substantial losses, the Viet Cong have increased their hard-core strength from an estimated 4,000 in April 1960 to more than 12,000 by mid-1961. This increase was accomplished by local recruitment and by infiltration by land and sea from North Vietnam. We estimate that about half of the imported Viet Cong weapons are brought in by sea. The guerrillas are augmented by several thousand supporters who ostensibly are innocent citizens but who join the organized insurgent bands to assist in intelligence, sabotage, propaganda, and terrorist operations. By relying on tactics of surprise, concentration for attack and dispersal upon withdrawal, the guerrillas achieve maximum effectiveness. They appear to have good intelligence on the plans and movements of government forces sent on anti-guerrilla missions. Viet Cong morale is probably good and there are few defections from their ranks to GVN forces.

51. Viet Cong guerrilla and terrorist activity is intended to assert Communist authority over increasingly large parts of the countryside in anticipation of setting up fully "liberated areas" in which GVN authority is effectively denied, or of so weakening the Diem government as to precipitate its overthrow, or both. At present, more than half of the rural area in the productive and highly populated region south and southwest of Saigon, as well as several areas to the northwest of Saigon, are under extensive control of the Communists. In these areas the government's authority is effective only by day and when backed up by military reinforcement. The Communists levy and collect

The Military Annex provides additional information respecting the North Vietnamese and South Vietnamese armed forces.

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taxes, direct the harvesting, control the distribution of rice and other farm products, conduct indoctrination programs, and conscript recruits. Recently, the Viet Cong have begun to set up overt party organizations and provisional local government units in South Vietnam similar to those established during the Indochina War.

52. Viet Cong control in the countryside is based primarily upon organized coercion and terrorism. The number of Communist cadres and converts is probably small in most villages, but in the absence of GVN forces sufficient to protect the village against reprisals, those inclined to support the government and turn against the Communists are effectively contained. The high rate of assassinations of local officials and retaliatory murders is a continual reminder of the penalty of noncooperation with the local Viet Cong authorities.

53. The GVN is in the early stages of preparing an all-out effort based on a US-sponsored counterinsurgency plan to neutralize and if possible defeat the Viet Cong threat. Although action of a military nature dominates the plan, it also envisages coordinated actions in the political, economic, and psychological fields. Some aspects of the plan have already been initiated, including a new emphasis upon antiguerrilla warfare in army training and tactics and a reorganization of the command structure to provide centralized direction for the entire military effort. Moves have also been taken to reorganize the intelligence apparatus and reduce rivalries and duplication of effort among the various intelligence services.

54. At present, the South Vietnamese Army numbers slightly over 150,000 men, of whom more than half have been continuously engaged in security operations. This is to be increased to 170,000 men under the counterinsurgency plan. Aiding the army in the antiguerrilla campaign are the locally re-

cruited and controlled security forces: (a) the Civil Guard, an armed rural militia of some 60,000 whose poor levels of training and equipment may improve under recently begun army programs; and (b) the 45,000-man Self-Defense Corps, a village constabulary with little training and few arms and heavily penetrated by the Viet Cong. These two security forces have suffered most of the South Vietnamese casualties during the past year. Scattered about through the countryside, with poor communications and coordination, they often fall prey to Viet Cong ambushes and raids for arms and ammunition.

55. GVN military capabilities and other resources for fighting the Communists are considerable. The military leadership is among the best in Southeast Asia and the rank and file troops have the spirit and willingness to fight. The civilian bureaucratic leadership is also strongly anti-Communist, but its effectiveness is impeded by inadequate delegation of authority. There are no serious trends toward neutralism or toward a political accommodation with Hanoi. Finally, the Vietnamese peasants, however politically apathetic and discontented with the government, are by no means ready to surrender themselves to the Viet Cong, given a greater effort by the government to protect them from Communist intimidation.

C. Political and Psychological Warfare

56. In September 1960, at its Third National Congress the Lao Dong announced that its "immediate task" was to overthrow President Diem and form a "coalition" government in the south with which Hanoi could cooperate. To serve these ends, Hanoi has established a "National Liberation Front," with its own news agency and mobile, clandestine radio transmitters. As part of the campaign to overthrow the Diem government, the Viet Cong has stepped up its political and psychological warfare seeking to capitalize upon South Vietnam's problems.

57. The combination of the Communist political and psychological assault and the increasing non-Communist dissatisfaction with Diem and his government is as much a cause

According to official GVN sources, during 1960, Communist terrorists assassinated at least 1,400 local government officials and other civilians and kidnapped at least another 700 while Communist guerrillas killed at least 1,200 military and security personnel from May to December of that year.

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for concern as the Viet Cong paramilitary effort. The Communists have tried to identify themselves with the non-Communist opposition and to discredit Ngo family rule. To this end they are seeking to intensify the real and imagined grievances of the peasants, the intellectuals, and military and civilian officials. Their National Liberation Front is probably intended to provide a rallying point for the restless and disenchanted non-Communist elements. From the Communist point of view it could serve as the core either of a government set up in a "liberated area," or of a government to replace the GVN in the confusion which would attend Diem's assassination or a successful non-Communist coup.

V. OUTLOOK FOR THE STRUGGLE IN SOUTH VIETNAM

58. The Hanoi regime is probably seeking to bring its campaign of subversion, terrorism, and guerrilla warfare against South Vietnam to an early and successful conclusion, although it is probably not operating on any rigid, preconceived timetable. We believe that it will almost certainly increase the pace and scope of its paramilitary activity during the next few months. North Vietnam's awareness of US intentions to increase its aid and assistance to South Vietnam will stimulate intensified Viet Cong efforts to make maximum gains before US assistance can make a significant impact on the GVN's counter-insurgency capability. This increased Viet Cong paramilitary activity will be accompanied by increased political and psychological warfare efforts designed to denigrate Diem personally and to encourage a popular front opposition. These efforts are likely to be coordinated with international political efforts by the larger bloc powers.

59. South Vietnam's urban centers, particularly Saigon, will probably be increasingly subjected to Viet Cong acts of terrorism designed to demoralize the public, disrupt the government, and increase the possibility of a non-Communist coup effort. The Viet Cong will probably make further attempts to assassinate Diem. Americans will probably continue to be singled out as special targets for

terrorist activity. However, expanding its areas of control in the countryside will probably remain the most important element of the Viet Cong paramilitary effort.

60. We believe that with continued high levels of US aid and a strenuous GVN effort, the problem of Viet Cong control of large areas of the countryside can in time be reduced. However, at least 12 to 18 months of effort will probably be required before much improvement begins to appear. Even if the GVN does reduce Viet Cong strength, it will require continued maximum effort--military, political, and economic--to maintain its authority, and potentially troublesome pockets of Viet Cong resistance will probably remain for many years. South Vietnam will not be able to completely seal its borders with North Vietnam, Laos, and Cambodia to the infiltration of material and personnel from North Vietnam.

61. Communist advances in Laos have had the double advantage, from the Communist point of view, of increasing the ability of the DRV to step up its guerrilla pressures on the GVN and of eroding GVN confidence in US determination to resist Communist encroachment in Southeast Asia. Mountain trails in southern Laos have been used freely by the Communists for years for movement of men and supplies between North and South Vietnam. Now, however, with Pathet Lao and North Vietnamese forces in control of most of southern Laos except for towns along the Mekong, forces and supplies may be moved along the road nets, which the Communists probably are improving. Moreover, the erosion of the Royal Lao Government's control over southern Laos increases greatly the problems of defending South Vietnam and intensifies psychological pressures upon South Vietnam's leaders, who have long feared the exposure of the left flank of their forces deployed to defend the 17th Parallel. The GVN has reacted by sending small special force units into southern Laos for reconnaissance purposes.

Communist forces in Laos now total about 22,500 men, with 6,000 tons of supplies stockpiled. Approximately 5,500 of these troops are in southern Laos, south of Route 9.

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and by proceeding to establish additional army outposts on the South Vietnam side of the frontier.

62. Thus, the outlook in South Vietnam is for a prolonged and difficult struggle with the Viet Cong insurgents. At the same time that the government is prosecuting the military campaign in the war against the Communists, it will have to act to prevent internal weaknesses and strains from causing its collapse. If Laos becomes dominated by the Communists or by a leftist regime, the GVN struggle against the Viet Cong will take on new, more perilous dimensions. If there is a serious disruption of GVN leadership as a result of Diem's death or as the result of a military coup, any momentum the GVN's counterinsurgency efforts had achieved will be halted or reversed, at least for a time. The confusion and suspicion attending a coup effort could provide the Communists an opportunity to seize control of the government.

63. *US-GVN Relations.* The course of US-GVN relations will be an important element in the struggle against the Viet Cong and in sustaining South Vietnamese morale. Recent increases in US assistance, a jointly agreed plan to combat Viet Cong insurgency, and manifestations to Diem of US sympathy and backing—such as the Vice President's visit—have provided a basis for a continuing close relationship between the two governments. However, the struggle ahead will be a long and difficult one involving many frustrations and difficulties for both South Vietnam and the US, and it is likely many disagreements concerning the implementation of the counterinsurgency plan will arise.

64. The fact that the US is the GVN's only source of significant support and assistance is the controlling factor in the GVN's relations and attitudes toward the US. Diem will almost certainly continue to press for increased aid, further expansion of the armed forces, and a clear priority of military over political and economic efforts to undercut the Viet Cong. Diem will be adamant in his views as to how the GVN campaign against the Viet Cong should be waged. He will tend to regard US differences with his views or

criticism of his inner circle as indications of weakening US confidence in him.

65. Diem probably still has some lingering suspicion of the extent of US confidence in and support of his leadership, resulting from the paratrooper coup effort of November 1960 and urgent US representations made during that year for liberal political reforms. In the event of another coup effort against Diem's government, he would probably expect quick and strong manifestations of US support and would feel that he did not have US confidence if such manifestations were not forthcoming.

66. There is considerable anxiety within the GVN concerning the general US posture with respect to communism in the Far East. Diem probably regards US policy toward Laos as an indicator of US resolution in standing against Communist advances in Asia, and US policy during the past year has almost certainly raised doubts in his mind. Other indicators probably would be Diem's interpretation of US policy toward Nationalist China and toward the issue of Chinese Communist representation in the UN. Diem has no alternative to US support and assistance. Nevertheless, if he concludes that the US is weakening its anti-Communist posture in the Far East, he will almost certainly make strong protests to the US and become increasingly assertive and stubborn in his relations with the US.

67. *International Attitudes.* In providing the GVN a maximum of encouragement and extensive support in its struggle against the Communists, the US will inevitably become identified with the GVN's success or failure. The US will be under heavy pressure from other members of the non-Communist world, many of whom view the Vietnam struggle in differing terms. For example, the neighboring countries such as Thailand, Cambodia, Burma, Indonesia, the Philippines, and Nationalist China, have all to some extent viewed developments in Laos as a gauge of US willingness and ability to help an anti-Communist Asian government stand against a Communist "national liberation" campaign. They will almost certainly look upon the struggle for Vietnam as a critical test of such US willingness and ability. All of them, including the

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neutrals, would probably suffer demoralization and loss of confidence in their prospects for maintaining their independence if the Communists were to gain control of South Vietnam. This loss of confidence might even extend to India.

68 Among the Western allies, the UK and France are especially concerned by the Vietnam problem. Both governments have had serious reservations over aspects of US policy throughout the crisis in Laos and almost certainly tend to view the developing situation

in Vietnam in terms of another potential Laos. The French with their memories of the Indochina War and the British with their experience in Malaya tend to be pessimistic regarding GVN prospects for coping with the Viet Cong threat. Both France and the UK are probably fearful that the US may become embroiled in a crisis in Vietnam at a time when in their view full Western strength and attention should be directed toward problems in Western Europe, and they will probably seek to influence the US to avoid such a situation.

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ANNEX

STRENGTHS AND CAPABILITIES OF THE DRV AND GVN
ARMED FORCES

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STRENGTHS AND CAPABILITIES OF THE DRV AND GVN ARMED FORCES

A. Democratic Republic of Vietnam

1. The North Vietnamese armed forces consist of the 275,000-man People's Army of Vietnam (PAVN), 100,000 armed militia, a small coastal naval force, and an incipient air force. The PAVN is a well-trained infantry army, adapted to the terrain and climate of Indochina and experienced in the paddy mountain and jungle warfare. With help from Communist China, the PAVN has increased considerably its capabilities since the Indo-China War. In 1954, by concentrating its entire resources on a single objective, the PAVN could mount an attack of limited duration using three divisions supported by direct artillery fire. Today it is capable of deploying for an attack at least five of its 14 divisions and of providing substantially greater logistic and combat support, including indirect artillery fire. The PAVN has excellent mobility on foot and extensive experience with techniques of logistic support by primitive means. The trend in the training and organization of the PAVN is toward the development of a conventional force, in contrast with its essentially guerrilla character in the early 1950's.

2. The available evidence indicates that the morale of the armed forces is good and that their loyalty to the regime is not open to serious question. The living standard of the average soldier is generally higher than his civilian counterpart. The PAVN considers itself a victorious army which has won its laurels by defeating a modern European power in battle. It has a simple, popular mission—to unify Vietnam under a Communist regime, and in this aim, it is led by a national hero, General Vo Nguyen Giap. Potential sources of division and disloyalty within the armed forces, such as the presence of both pro-Soviet and pro-Chinese factions, do not appear to have developed. There have been relatively few desertions or defections from the North Vietnamese armed forces. The regime's present economic problems, particularly the shortages of food, could in time

significantly effect the morale and loyalty of the North Vietnamese armed forces, however, as yet there have been no indications of such an effect.

3. The PAVN is almost completely dependent upon foreign sources for the supply of armaments and material and for technical and specialist training. It is short on communications facilities, armored vehicles, and air support. Most military aid has come from Communist China. In the event of overt military operations against South Vietnam, the PAVN's most urgent need for assistance would be in the fields of transportation and communication. The provision of additional air transport capability by the USSR or Communist China would lessen the PAVN's logistics problem.

4. In recent years North Vietnam has acquired a limited air capability with considerable military potential. The North Vietnamese regime has maintained and renovated former French airfields and has acquired several new types of small transports. North Vietnamese personnel have probably taken part in the Soviet airlift, even to the extent of piloting USSR-supplied aircraft. In addition a few IL-10 propeller fighters have been observed in North Vietnam and may have been turned over to the DRV. These developments, together with the organization of an air force headquarters in the Defense Ministry, suggest that the regime is developing a tactical air arm. Regardless of how rapidly North Vietnam develops an air force, however, its air facilities have already become, as demonstrated by the Soviet airlift from Hanoi into Laos, a useful adjunct to Communist air power in the Far East.

B. Government of Vietnam

5. At present, the GVN's Army numbers 150,000, it is in process of being increased by 20,000. The 5,500-man navy, equipped with patrol boats and minesweepers, provides the

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OVN some capability for river and coastal patrol and detection. The air force of about 3,000 men (215 pilots) has 146 propeller-driven aircraft of which about 115 are assigned to tactical units. Most of the aircraft are transport (C-47) and liaison (L-19) types. The air force fighter squadron flying AD-4's has performed well in support of ground operations and the transport group is combat ready and has demonstrated its ability in supply and paratroop missions.

6. The South Vietnamese armed forces are fully dependent upon US military assistance. The US Military Assistance Advisory Group, which numbered about 685 officers and men in April 1961, provides advisors to the armed forces in addition to furnishing logistical and training support. US advisors have recently begun to accompany units in the field. US military aid in Fiscal Year 1962 is projected at about \$161 million for HAP and \$99 million for supporting assistance. Substantial additional funds for supporting assistance are being considered to implement the new counterinsurgency plan.

7. The major strength of the South Vietnamese Army lies in its extensive combat experience in counterinsurgency warfare. It has been very largely trained under fire. Increasingly officers with combat records are moving into command at more senior levels. The troops generally have a good knowledge of the terrain in which they fight and have developed, through training and experience, the ability to move and fight under difficult conditions. Leadership at the lower levels is adequate and it is improving as the result of intensive leadership training.

8. The morale of the South Vietnamese armed forces sagged in early 1960 when the new Viet Cong offensive was resulting in humiliating defeats and frustrating, ineffectual counteractions. Since then, the army has rallied and, in late 1960 and early 1961, began to score successes in the field against the guerrillas. The activation of additional ranger companies and broadened ranger training will probably increase the army's counterinsurgency

capabilities. Moreover, in recent operations against the Viet Cong, the armed forces have demonstrated improved ability to launch and carry out coordinated operations, using combined arms.

9. Weaknesses and deficiencies of the South Vietnamese Army include lack of technical competence among the troops, inadequate communications and transportation, and ineffective logistics. The army lacks effective intelligence, and there are not enough qualified officers above the battalion level. No effective system of rotating combat troops has yet been established, with the result that some units have been committed to unduly prolonged periods of anti-Viet Cong operations without relief. The Communists are almost certainly seeking to penetrate and subvert the South Vietnamese armed forces. There is very little evidence that they have made any significant headway.

10. Even if presently projected programs to expand the OVN armed forces and to increase its anti-insurgency capabilities were fully realized, South Vietnam would still be incapable of mounting full-scale next attack by the North Vietnamese Army without substantial outside assistance. At the most, the armed forces of South Vietnam, by themselves, would be able to contain a minor PAVN penetration across the national boundaries. In the event of a full-scale PAVN invasion across the 17th Parallel or through Laos, the South Vietnamese armed forces could probably conduct effective delaying actions for one to two weeks before taking up close defensive positions around the Tourane base area. With US air and naval support, this area probably could be held for another 15-30 days. In the event of overt invasion, the Viet Cong insurgent guerrillas would launch attacks on the armed forces and their facilities throughout South Vietnam. With the South Vietnamese forces thus under attack from the two sides, the Viet Cong probably could gain control of the plateau region and large parts of the delta area, causing considerable South Vietnamese troops to be tied down in the defense of Saigon.

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